

## Message Text

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S E C R E T STATE 168259

EXDIS FOR ASSISTANT SECRETARY HOLBROOKE ONLY

FOLLOWING REPEAT PEKING 2005 ACTION SECSTATE JULY 3.

QUOTE S E C R E T PEKING 2005

EXDIS

DEPT PASS WHITE HOUSE

E.O. 11652: GDS  
TAGS: ESTR ETRD CH US

SUBJ: LOCKHEED'S VISIT TO CHINA

SUMMARY. LOCKHEED'S VISIT TO PEKING HAS BEEN MODERATELY  
SUCCESSFUL, AND HAS RECEIVED HIGH LEVEL ATTENTION. VICE  
PREMIER FANG YI SHOWED GREAT INTEREST IN THE P-3 ASW  
AIRCRAFT, TO THE ASTONISHMENT OF THE LOCKHEED GROUP. FANG  
SAID HE WAS LOOKING FORWARD WITH PLEASURE TO TALKS WITH  
THE PRESS DELEGATION, MENTIONED NORMALIZATION SEVERAL  
TIMES BUT DID NOT RAISE THE SUBJECT OF TAIWAN. IN OTHER  
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TALKS IN PEKING, CAAC SHOWED INTEREST IN AN AIRCRAFT FOR  
MAPPING OF SOUTHWEST CHINA AND IN TECHNICAL EXCHANGES WITH  
LOCKHEED. THE LOCKHEED TEAM IS NOW VISITING THE SHENYANG  
AIRCRAFT PLANT. END SUMMARY.

1. GEORGE C. PRILL - DIRECTOR OF MARKET DEVELOPMENT  
FOR LOCKHEED, JACK A. DAVIDSON - PRESIDENT OF LOCKHEED  
(ASIA), AND PRISCILLA ROPE CALLED AT USLO JULY 1 TO  
REPORT ON THE PROGRESS OF THEIR TALKS WITH THE PRC AND  
PARTICULARLY ON THEIR TALK WITH VICE PREMIER FANG YI

JUNE 30. PRESIDENT ROY ANDERSON OF LOCKHEED HAD ASKED TO CALL ON TENG HSIAO-PING OR LI HSIEN-NIEN, BUT WAS PLEASED WITH THE INTERVIEW WITH FANG YI, WHO WAS WELL-INFORMED, ASKED GOOD QUESTIONS, AND MADE POINTED COMMENTS.

LOCKHEED IS EMBARRASSED BY THE PRC'S INSISTENCE ON DISCUSSING MILITARY AIRCRAFT AND WANTED THE USG TO BE AWARE OF THE TALKS.

2. AFTER SOME BANTER ABOUT LOCKHEED'S RECENTLY HAVING BEEN IN THE NEWS, FANG YI BEGAN TO ASK QUESTIONS ABOUT LOCKHEED'S P-3A RECONNAISSANCE AIRCRAFT AND THE P-3C ANTI-SUBMARINE VERSION AND ITS ARMAMENTS; DEPTH CHARGES, TORPEDOES, AND HARPOON MISSILE. ANDERSON DODGED THE QUESTIONS AS BEST HE COULD, AND FINALLY TOLD FANG THAT HE COULD NOT EVEN DISCUSS THE AIRCRAFT. FANG REPLIED THAT WHAT HE WAS ASKING ABOUT WAS PUBLISHED MATERIAL, AND POINTED OUT THAT PRC OFFICIALS READ MAGAZINES. TOWARD THE END OF THE HOUR AND HALF MEETING, ANDERSON TRIED TWICE TO LEAVE THE SUBJECT OF THE P-3 AIRCRAFT AND RETURN TO GENERALITIES, BUT FANG BROUGHT HIM BACK TO THE SUBJECT. NO OTHER AIRCRAFT WERE MENTIONED BY FANG IN THIS CONVERSATION EXCEPT FOR A SECRET

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PASSING REFERENCE TO THE U-2, WHICH FANG EUPHEMISTICALLY CALLED "A SPECIAL PURPOSE AIRCRAFT.".

3. FANG SAID THAT "WE ARE LOOKING FORWARD WITH PLEASURE TO TALKS WITH YOUR PRESIDENT'S SCIENCE ADVISOR," BUT DID NOT GO INTO DETAIL ABOUT THE VISIT.

4. FANG CRITICIZED US EXPORT CONTROLS ON COMPUTERS GENERALLY AND THE CYBER-76 SPECIFICALLY, CLAIMING THAT THE PRC HAD BUILT A BETTER ONE SINCE THE REFUSAL.

5. FANG DID NOT MENTION TAIWAN, BUT SEVERAL TIMES MENTIONED THE NECESSITY FOR THE US TO GO AHEAD WITH NORMALIZATION OF RELATIONS, THOUGH HE GAVE NO NEW OR STRIKING FORMULATION. HE REFERRED TO THE MILLION SOVIET TROOPS ON CHINA'S FRONTIER, POINTED OUT THAT THE USSR HAD TWICE AS MANY ON THE FRONTIERS OF WESTERN EUROPE, AND MENTIONED THAT SOVIET FORCES IN EASTERN EUROPE WERE BEING REEQUIPPED WITH NEW WEAPONS, INCLUDING THE T-72 TANK. HE PRAISED DR. BRZEZINSKI'S VIEWS ON THE USSR, CONTRASTING HIM WITH DR. KISSINGER, WHO FANG YI SAID WAS "SHORT-SIGHTED" ON THE USSR.

6. ON THE EVENING OF JUNE 30, AN IMPROMPTU DINNER PARTY WAS GIVEN THE SENIOR MEMBERS OF THE LOCKHEED TEAM BY THE PRESIDENT OF THE CHINESE AERONAUTICAL

SOCIETY, TUAN TZU-CHUN AND SHEN YUAN, ITS CHAIRMAN. (TUAN IS A FORMER VICE MINISTER OF MACHINNE BUILDING WHO WAS CRITICIZED DURING THE CULTURAL REVOLUTION. WE HAVE NO RECORD OF HIM SINCE 1967, AND HE MAY HAVE RECENTLY BEEN REHABILITATED.) THE CONVERSATION, LED BY TUAN ON THE CHINESE SIDE, WAS A CONTINUATION OF THE TALK WITH FANG YI. THE P-3 WAS MENTIONED AGAIN, AND ANDERSON CONTINUED TO DODGE SPECIFIC QUESTIONS. TUAN FINALLY SAID: "DO YOU THINK YOUR GOVERNMENT WOULD REALLY OBJECT

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IF YOU GAVE US THIS INFORMATION?" ANDERSON REPLIED THAT HE MUST HAVE PRIOR USG APPROVAL BEFORE EVEN DISCUSSING THE SUBJECT. TUAN THEN SAID THAT HE UNDERSTOOD THAT "THE INTENTION OF THE USG IS TO IMPROVE RELATIONS WITH CHINA, AND THESE EXCHANGES ARE THE BEST WAY TO DO IT." ANDERSON SAID THAT THE USG HAD TO CONSIDER THE FORCE OF PUBLIC OPINION. THUAN THEN ASKED IF LOCKHEED WERE INFLUENTIAL (PRESUMABLY MEANING POLITICALLY INFLUENTIAL), AND THEN ASKED IF THE US WERE SERIOUS ABOUT A CHANGE IN ITS RELATIONS WITH CHINA.

7. TUAN CONTINUED THAT DURING THE PRESS VISIT THE PRC WILL WANT TO TALK ABOUT WHAT FIELDS THE TWO COUNTRIES CAN COOPERATE IN. THE COOPERATION MUST BE FOR THE MUTUAL BENEFIT OF THE TWO COUNTRIES, HE SAID, WITH "NO FORCE" USED. (THE LOCKHEED GROUP WAS NOT CLEAR ON THE MEANING OF THIS PHRASE, WHICH MAY HAVE BEEN ONE OF SEVERAL PLACES WHERE THE INTERPRETER HAD PROBLEMS.) HE EMPHASIZED THE BACKWARDNESS OF THE PRC, AND SAID THAT CHINA "COULD LEARN FROM THE US WITHOUT LOSING FACE."

8. IN AN EARLIER CONVERSATION WITH SHEN TU, HEAD OF CAAC, LOCKHEED, WHICH IS CONVINCED THAT THE PRC WILL BUY WIDE-BODIED AIRCRAFT, TRIED TO SELL THE TRISTAR, AND SAID THAT IT WAS THE BEST AVAILABLE PASSENGER AIRCRAFT. SHEN REPLIED THAT ALL AIRCRAFT MANUFACTURERS, BOEING, DASSAULT, ETC. THINK THEIR PLANES ARE THE BEST; FOR EXAMPLE, THE FRENCH THINK THE MIRAGE IS THE BEST.

9. CAAC WAS INTERESTED IN A MAPPING AIRCRAFT TO MAP THE HILLY REGION OF SOUTHWEST CHINA, FLYING AT AN ALTITUDE OF 8,000 METERS. (PRILL TOLD USLO THAT LOCKHEED HAS RECENTLY SOLD THE JAPANESE A C-130 FOR MAPPING, WITH JUST

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THE SPECIFICATION THE CHINESE WANT.) THE CAAC TEAM ASKED QUESTIONS ABOUT THE L-100, THE CIVILIAN VERSION OF THE C-130, BUT THEY WERE TOLD THAT LOCKHEED COULD NOT TALK ABOUT IT AT THIS TIME.

10. LOCKHEED WAS ASKED TO RETURN IN 60 DAYS, AND WILL MAKE PRESENTATIONS TO CAAC ON CORROSION, BONDING, COMPOSITES, AND COMPUTERS IN AERONAUTICS. THE CHINESE ALSO WERE INTERESTED IN HAVING LOCKHEED ENGINEERS LECTURE IN CHINA ON A WIDE VARIETY OF ENGINEERING SUBJECTS. PRILL SAID THAT HE SUGGESTED THAT CHINESE ENGINEERS GIVE LECTURES AT CALTECH, BUT THEY REPLIED THAT THEY HAD NOTHING TO TEACH CALTECH. THEY SHOWED INTEREST IN EXCHANGES OF PROFESSORS AND STUDENTS.

11. THE LOCKHEED TEAM DEPARTED JULY 1 TO VISIT THE SHENYANG AIRCRAFT FACTORY. PRILL COMMENTED THAT IF THE PRC SHOWS LOCKHEED A MAJOR MILITARY AIRCRAFT PLANT, THE CHINESE MAY EXPECT TO BE SHOWN A US MILITARY AIRCRAFT PLANT ON A RETURN VISIT. PRILL HOPES THEY WOULD BE SATISFIED WITH SEEING A MAJOR MODERN CIVIL AIRCRAFT FACTORY.

12. THE LOCKHEED TEAM OFFERED TO RETURN TO PEKING IN SIXTY DAYS TO GIVE THEIR SEMINARS AND FURTHER TECHNICAL PRESENTATIONS. THEY WERE SURPRISED TO HEAR THAT THE MANAGEMENT LEVEL WAS ALSO INVITED BY THE PRC TO RETURN FOR FURTHER DISCUSSIONS, ALTHOUGH THEY ARE NOT YET SURE ABOUT WHAT.

13. COMMENT: THE LOCKHEED TEAM WAS SURPRISED BOTH BY THE FACT THAT FANG YI RAISED THE P-3 AND THE PERSISTENCE WITH WHICH HE PURSUED THE SUBJECT. THE TEAM WAS EMBARRASSED TO FIND THE CHINESE INTERESTED IN LOCKHEED AIRCRAFT WHICH THEY SEE NO POSSIBILITY OF SELLING, RATHER THAN IN THE TRISTAR.

WOODCOCK UNQUOTE VANCE

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## Message Attributes

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